

Title: Azarraga vs. Gay (52 Phil. 599)

Facts:

Leodegario Azarraga, the plaintiff, sold two parcels of land to Maria Gay, the defendant, for a total price of P47,000 payable in installments as per their agreement embodied in a public document dated January 17, 1921. The payment terms were: P5,000 upon contract signing, P20,000 upon the vendor's delivery of the Torrens title for the first parcel to the purchaser, P10,000 upon delivery of the Torrens title for the second parcel, and the remaining P12,000 one year after the delivery of the title for the second parcel. Gay paid the initial P5,000 and the subsequent P20,000 as agreed but failed to pay the remaining P22,000 for the second parcel and its subsequent annual installment. Azarraga filed a claim for the unpaid amount with interest.

In her defense, Gay contended that Azarraga misrepresented the second parcel's size, leading her to agree to a price based on incorrect information. She also claimed additional payments had been made totaling P4,000, not acknowledged by Azarraga, and stated that she had not refused payment but that Azarraga refused to accept the adjusted amount reflecting the true area of the land.

Upon the case's escalation to the trial court, it found no fraud was involved and instructed Gay to pay Azarraga P19,300 with legal interest, dismissing Gay's cross-complaint for damages. The decision was appealed to the Supreme Court, where Gay argued deceit on Azarraga's part regarding the land area which influenced her purchase decision.

Issues:

1. Whether Azarraga deceived Gay regarding the land area of the parcels sold.
2. If there was a basis for reducing the agreed price due to the discrepancy in the land's actual area.
3. The entitlement of Gay for damages due to the alleged malicious filing of Azarraga's complaint.
4. The application and interpretation of Article 1471 of the Civil Code concerning the sale of real estate for a lump sum versus a price per unit of measure in the context of this case.

Court's Decision:

The Supreme Court affirmed the lower court's decision, concurring that there was no deceit practiced by Azarraga concerning the land's area. It also found that Gay had ample opportunity to investigate the property's condition and that any reliance on Azarraga's

statements was at her own peril. Accordingly, since the property sold was for a lump sum and not per unit of measure, Article 1471 of the Civil Code applied, and there could be no adjustment in price even if the area was found to be more or less than stated. As for the damages sought by Gay for the complaint's alleged malicious filing, the Court found no basis for awarding such damages, affirming the trial court's dismissal of her cross-complaint.

Doctrine:

The Supreme Court reiterated the doctrine concerning the sale of real estate for a lump sum versus at a rate per unit of measure, as detailed in Article 1471 of the Civil Code. This doctrine stipulates that in the sale of real estate for a lump sum, there shall be no increase or decrease in price, even if the area is found to be more or less than that stated in the contract. Additionally, the decision highlighted the principle that the buyer is at peril when relying on the seller's statements about the property that could easily influence the buyer's purchase decision without conducting due diligence.

Class Notes:

- **Article 1471 of the Civil Code**: Essential for understanding transactions involving the sale of real estate for a lump sum payment. It asserts that the price should not adjust based on actual measurements if the sale is for a lump sum based on a comprehensive description (boundaries) of the property rather than a rate per unit of measure.
- **Buyer's Due Diligence**: The importance for the purchaser to investigate property conditions before purchasing is underscored, reflecting the principle that reliance on seller's statements without personal verification is at the buyer's risk.
- **Misrepresentation and Deceit in Transactions**: Highlights the legal thresholds for deceit and misrepresentation claims in property transactions, particularly emphasizing the risk assumed by the purchaser in the absence of personal verification of assertions made by the seller.

Historical Background:

This case illustrates the early application of the Civil Code's provisions on property transactions in the Philippines, reflecting on judicial attitudes towards contractual agreements, misrepresentation, obligations, and the importance of due diligence in real estate transactions. It underscores the judiciary's role in defining the contours of buyer and seller responsibilities and rights in property disputes, an essential aspect of civil law jurisprudence in the country.